

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Safeguards to Improve the)
Administration of the Interstate)
Access Tariff and Revenue)
Distribution Processes)

CC Docket No. 93-6
RM 7736

Comments of the Ameritech Operating Companies

The Ameritech Operating Companies (Ameritech),¹ pursuant to §1.415 of

The work of the NECA Board and staff has always been of the highest caliber and shown a great degree of business integrity and internal financial control. This fact has been confirmed repeatedly by the numerous and extensive annual audits conducted by the external accounting firm of Ernst & Young, and has been generally affirmed in the most recent Ernst & Young "safeguards" audit. To the extent that the Commission proposes additional changes in the workings of NECA in order to provide additional controls or safeguards to make the administration of the pools easier and more consistent among the companies, as well as to make the pooling process easier for the Commission to review, Ameritech supports these additional measures. Ameritech does not believe these proposed measures are necessary to correct any alleged control deficiencies reported in the audit.

NECA's Board of Directors. Ameritech supports the Commission's proposal to include two outside directors to NECA's Board on a permanent basis. There have been two outside directors on NECA's Board on a temporary basis since 1992 and their presence, input and counsel have been an asset to the Board's decisions. While the NECA Board has always functioned with the highest degree of integrity and has strived to meet its obligations to the Commission and the ratepayer in general, the addition of outside directors has enhanced that sense of responsibility by increasing the Board's open discussion of issues. LEC Board members are generally called upon to clarify their own positions in order to educate the outside directors' understanding of the issues raised in the discussion. This process has been an asset to the workings of the NECA Board.

In terms of the composition of the NECA Board, Ameritech supports reducing the size of the NECA Board to 11 members consisting of two outside directors, two subset I directors, two subset II directors, and five subset III

directors. Ameritech believes that this composition is the optimum configuration for NECA's Board. A smaller board has obvious cost savings to NECA, while the voting balance is maintained between the various subset carriers. In addition, an odd number of members avoids a stalemate of the Board in case of a split decision, although the Board generally reaches consensus on most issues. Moreover, a large board of directors is no longer necessary for several reasons. First, NECA's management and staff have gained extensive experience and knowledge with the interstate tariff and pooling process throughout the nine years of NECA's existence. With this experience, the major issues to be resolved by the NECA Board have decreased. Second, the number of participants in the pool process, in particular the traffic sensitive pool, is declining thereby reducing the number of issues and the amount of money that the Board must administer. Finally, increased member input at Board and committee meetings encouraged through regular publication of Board actions in the members newsletter ensures adequate representation of all members interests.

Ameritech supports the Commission's proposal to adopt the present NECA criteria for selecting outside directors, and the proposal to offer a selection of qualified nominees from which members will choose the two outside directors. Ameritech suggests however that not more than three candidates for each directorship position be provided. In addition, Ameritech supports the

In order to broaden membership participation on the Board, the Commission should consider term limitations. Directors should be limited to ~~one two-year term. However, in order to have an experienced Board Chairman~~

Commission's rules, because so many issues related to the separations and costs study processes are kept in the institutional memory of the employees and have never been formally addressed by the Commission. Without access to this expertise and historical knowledge, NECA essentially would be required to "reinvent the wheel" when a new issue arose. Thus, NECA should continue to seek industry input when interpreting and implementing the Commission's rules. NECA is generally able to effectively implement the Commission's rules with acceptance by members. However, if NECA cannot resolve divergent views of its membership regarding any interpretation, at that time NECA should seek the expertise of the Commission.

Ameritech also supports providing the Commission with the information on the NECA computer files of the cost study data. Data included in these files are similar to the information provided to the Commission in the ARMIS reports. Since the ARMIS reports are publicly available, similar data for the NECA cost study companies should also be publicly available. Tier I companies provide the ARMIS data to the Commission on both paper and computer diskette form. This process should also be used for the NECA cost data. Thus, the burdensome process of establishing direct on-line access to the NECA data would not be necessary. Additionally, only finalized cost data and not preliminary estimates should be provided to the Commission. Ameritech also supports the Commission's proposal to have NECA provide an annual report summarizing the results of NECA's cost study review process. Such a summary report will keep the Commission informed of some of the issues raised in the administration of the pooling process.

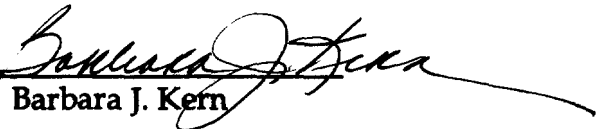
Finally, Ameritech supports the Commission's decision not to implement the independent auditor's recommendation to require all LECs to be subject to the same cost study review standards, methods and procedures regardless of

pool participation. Ameritech does not support employing external auditors to report annually on the sufficiency of the non-pooling LECs' cost studies. Such a requirement is unnecessary in light of the implementation of price cap regulation which focuses on prices as opposed to revenue requirements. Required reporting of actual ARMIS type information by the smaller carriers would provide comparative data for Commission review at considerably less cost. The Commission already has ARMIS information from Tier I LECs. In addition, the Commission's Part 32, 36, and 69 rules provide adequate guidance and standardization for the industry's development of their cost studies.

Based on the foregoing, Ameritech generally supports the Commission's proposals in the NECA NPRM, and recommends the Commission adopt the proposals discussed herein with the minor changes as noted.

Respectfully submitted,

By:


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CERTIFICATE OF SERVICE

I, Diana M. Lucas, do hereby certify that copies of the foregoing
Comments were sent via first class mail, postage paid, to the following on this
13th day of April 1993:


Diana M. Lucas

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